

Omaha School District No. 6

Boone County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE



OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
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JUNE 30, 2010

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Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Omaha School District No. 6 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Omaha School District No. 6 (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

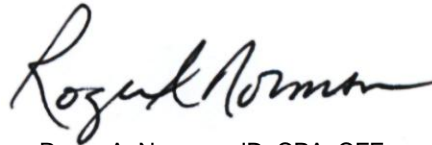
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2010, or the changes in financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1), Schedule of Expenditures of Federal Awards (Schedule 2), as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Schedule of Findings and Questioned Costs (Schedule 3), Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4), and Schedule of Selected Information for the Last Five Years - Regulatory Basis (Schedule 5) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The Schedule of Expenditures of Federal Awards (Schedule 2), Schedule of Findings and Questioned Costs (Schedule 3), and Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years - Regulatory Basis (Schedule 5) have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on them.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with a large initial "R" and "N".

Roger A. Norman, JD, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
January 17, 2011
EDSD02910

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Omaha School District No. 6 and School Board Members
Legislative Joint Auditing Committee

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Omaha School District No. 6 (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 17, 2011. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be a material weakness.

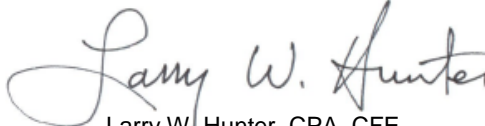
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in dark ink, reading "Larry W. Hunter". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 17, 2011

Sen. Bill Pritchard
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Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Omaha School District No. 6 and School Board Members
Legislative Joint Auditing Committee

Compliance

We have audited the Omaha School District No. 6's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

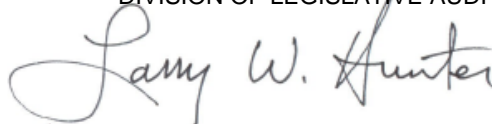
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

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Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 17, 2011

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010

Exhibit A

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Fund Types
ASSETS				
Cash	\$ 864,599	\$ 37,717	\$ 15,935	\$ 19,562
Accounts receivable	595	21,252		
Deposit with paying agent			205,999	
TOTAL ASSETS	\$ 865,194	\$ 58,969	\$ 221,934	\$ 19,562
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,976	\$ 6,386	\$ 3,750	
Due student groups				\$ 18,227
Deferred taxes	54,884			
Total Liabilities	60,860	6,386	3,750	18,227
Fund Balances:				
Reserved:				
Scholarships				1,335
Debt service			205,999	
Capital projects			12,185	
Unreserved:				
Undesignated	804,334	52,583		
Total Fund Balances	804,334	52,583	218,184	1,335
TOTAL LIABILITIES AND FUND BALANCES	\$ 865,194	\$ 58,969	\$ 221,934	\$ 19,562

The accompanying notes are an integral part of these financial statements.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,022,746		
State assistance	2,494,767	\$ 1,840	
Federal assistance	715	648,580	
Activity revenues	61,933		
Meal sales		42,733	
Investment income	16,636		\$ 3,901
Other revenues	68,386	9,332	
TOTAL REVENUES	3,665,183	702,485	3,901
EXPENDITURES			
Regular programs	1,531,755	16,122	
Special education	105,152	64,759	
Workforce education	148,485		
Compensatory education	16,988	87,022	
Other instructional programs	168,035		
Student support services	99,896	37,798	
Instructional staff support services	217,375	128,635	
General administration support services	112,447		
School administration support services	173,594		
Central services support services	54,932		
Operation and maintenance of plant services	369,344		12,208
Student transportation services	175,910		
Other support services	918		
Food services operations		249,443	
Community services operations	35,857	18,908	
Facilities acquisition and construction services		108,353	18,685
Activity expenditures	50,377		
Debt Service:			
Principal retirement	61,808		145,000
Interest and fiscal charges	15,320		105,815
TOTAL EXPENDITURES	3,338,193	711,040	281,708
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	326,990	(8,555)	(277,807)
OTHER FINANCING SOURCES (USES)			
Transfers in			278,034
Transfers out	(278,034)		
TOTAL OTHER FINANCING SOURCES (USES)	(278,034)		278,034
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	48,956	(8,555)	227
FUND BALANCES - JULY 1	755,378	61,138	217,957
FUND BALANCES - JUNE 30	\$ 804,334	\$ 52,583	\$ 218,184

The accompanying notes are an integral part of these financial statements.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,030,908	\$ 1,022,746	\$ (8,162)			
State assistance	2,457,623	2,494,767	37,144		\$ 1,840	\$ 1,840
Federal assistance		715	715	\$ 658,747	648,580	(10,167)
Activity revenues		61,933	61,933			
Meal sales					42,733	42,733
Investment income	20,000	16,636	(3,364)			
Other revenues	55,000	68,386	13,386	50,000	9,332	(40,668)
TOTAL REVENUES	3,563,531	3,665,183	101,652	708,747	702,485	(6,262)
EXPENDITURES						
Regular programs	1,638,348	1,531,755	106,593	36,187	16,122	20,065
Special education	94,278	105,152	(10,874)	64,304	64,759	(455)
Workforce education	148,010	148,485	(475)			
Compensatory education	19,740	16,988	2,752	98,991	87,022	11,969
Other instructional programs	230,011	168,035	61,976			
Student support services	104,462	99,896	4,566	38,356	37,798	558
Instructional staff support services	240,982	217,375	23,607	137,587	128,635	8,952
General administration support services	134,377	112,447	21,930			
School administration support services	172,779	173,594	(815)			
Central services support services	55,219	54,932	287			
Operation and maintenance of plant services	376,966	369,344	7,622			
Student transportation services	213,682	175,910	37,772			
Other support services	970	918	52			
Food services operations				250,505	249,443	1,062
Community services operations	81,436	35,857	45,579	2,000	18,908	(16,908)
Facilities acquisition and construction services				104,745	108,353	(3,608)
Activity expenditures		50,377	(50,377)			
Debt Service:						
Principal retirement	88,843	61,808	27,035			
Interest and fiscal charges	21,203	15,320	5,883			
TOTAL EXPENDITURES	3,621,306	3,338,193	283,113	732,675	711,040	21,635

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (57,775)</u>	<u>\$ 326,990</u>	<u>\$ 384,765</u>	<u>\$ (23,928)</u>	<u>\$ (8,555)</u>	<u>\$ 15,373</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,701,133		(1,701,133)			
Transfers out	<u>(1,946,963)</u>	<u>(278,034)</u>	<u>1,668,929</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(245,830)</u>	<u>(278,034)</u>	<u>(32,204)</u>			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(303,605)	48,956	352,561	(23,928)	(8,555)	15,373
FUND BALANCES - JULY 1	<u>796,620</u>	<u>755,378</u>	<u>(41,242)</u>	<u>61,725</u>	<u>61,138</u>	<u>(587)</u>
FUND BALANCES - JUNE 30	<u><u>\$ 493,015</u></u>	<u><u>\$ 804,334</u></u>	<u><u>\$ 311,319</u></u>	<u><u>\$ 37,797</u></u>	<u><u>\$ 52,583</u></u>	<u><u>\$ 14,786</u></u>

The accompanying notes are an integral part of these financial statements.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Omaha School District (District). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund – The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Fund types include the following:

Agency Funds – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Private-purpose Trust Funds – Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year. Property taxes are accrued or deferred, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE), which were effective beginning with the fiscal year ended June 30, 2006. Arkansas law defines revenue receipts of a school district and includes 40% of the proceeds of local taxes which are not pledged to secure bonded indebtedness or 40% of the revenue from the uniform rate of tax whichever is greater collected in the succeeding calendar year, commonly known as 40% pullback, within that definition. The ADE has determined that school districts must utilize the 40% pullback amount, as calculated by the ADE and reflected on the respective county's abstract of assessments, in recording property tax revenue as follows:

- If the amount of 40% pullback collected by June 30th is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30th is more than the calculated 40% pullback amount, the excess must be recorded as deferred taxes.

Amendment no. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Fund Balance Designations

1. Reserved fund balance – represents that portion of the fund balance which is not appropriable for expenditure or is legally segregated for a specific future use.
2. Undesignated fund balance – indicates that portion of the fund balance not reserved or designated.

H. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	687,713	1,005,644
Total Deposits	<u>\$ 937,713</u>	<u>\$ 1,255,644</u>

The above total deposits do not include cash on hand of \$100.

3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$21,847 at June 30, 2010 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Federal assistance		\$ 20,121	\$ 20,121
Other	\$ 595	1,131	1,726
Totals	\$ 595	\$ 21,252	\$ 21,847

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2010:

Long-term Debt Issued and Outstanding

The District is presently paying on the following long-term debt:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2010	Maturities To June 30, 2010
8/1/94	2/1/12	5.25 - 6%	\$ 128,650	\$ 20,000	\$ 108,650
5/26/04	2/1/24	1.75 - 4.35%	1,695,000	1,290,000	405,000
12/15/04	8/1/23	2.5 - 4.25%	900,000	720,000	180,000
12/1/06	2/1/31	3.875 - 4.15%	650,000	575,000	75,000
8/1/01	8/1/11	5%	150,000	36,120	113,880
10/1/02	10/1/12		298,100	298,100	
11/14/03	11/14/12	4.88%	120,000	42,163	77,837
6/30/03	6/30/13	4.95%	96,900	34,128	62,772
6/30/04	7/3/14	5.5%	100,919	56,820	44,099
4/25/08	4/25/12	4.99%	11,500	6,030	5,470
2/15/07	11/1/16	4.95%	54,000	37,800	16,200
12/17/08	11/16/18	4.99%	40,000	36,000	4,000
Totals			<u>\$ 4,245,069</u>	<u>\$ 3,152,161</u>	<u>\$ 1,092,908</u>

Changes in Long-term Debt

	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010
Bonds payable	\$ 2,750,000		\$ 145,000	\$ 2,605,000
Certificates of indebtedness	83,200		9,400	73,800
Postdated warrants	405,933		29,549	376,384
Installment contracts	119,836		22,859	96,977
Totals	<u>\$ 3,358,969</u>	<u>\$ 0</u>	<u>\$ 206,808</u>	<u>\$ 3,152,161</u>

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

4: COMMITMENTS (Continued)

Long-term Debt Issued and Outstanding (Continued)

Total long-term debt principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 204,426	\$ 111,381	\$ 315,807
2012	207,172	103,263	310,435
2013	495,494	94,903	590,397
2014	171,324	87,504	258,828
2015	171,945	81,303	253,248
2016-2020	856,800	311,654	1,168,454
2021-2025	830,000	131,479	961,479
2026-2030	175,000	30,918	205,918
2031	40,000	1,660	41,660
Totals	<u>\$ 3,152,161</u>	<u>\$ 954,065</u>	<u>\$ 4,106,226</u>

Qualified Zone Academy Bond (QZAB)

On October 1, 2002, the District obtained funding through the Qualified Zone Academy Bond (QZAB) program, a financial arrangement authorized under the Taxpayer Relief Act of 1997. A QZAB does not generally require interest payments from the borrower. The eligible financial institution holding the bond receives a tax credit in lieu of interest payments. The principal is not due until the end of the term. The District borrowed \$298,100 through this program by issuing postdated warrants. The District will deposit \$27,219 annually into a sinking fund for 10 years for a total of \$272,190. This amount plus interest will be used to retire the debt when due. The balance in the sinking fund at June 30, 2010 was \$205,999.

5: ACCOUNTS PAYABLE

The accounts payable balance of \$16,112 at June 30, 2010 was comprised of the following:

Description	Governmental Funds			Total
	Major		Other Aggregate	
	General	Special Revenue		
Vendor payables	\$ 5,976	\$ 6,386	\$ 3,750	\$ 16,112

6: INTERFUND TRANSFERS

The District transferred \$278,034 from the general fund to the other aggregate funds for debt related payments.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

7: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description. The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2010, 2009, and 2008 were \$338,424, \$314,637, and \$304,109, respectively, equal to the required contributions for each year.

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS

Donations	\$ 1,535
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DEDUCTIONS

Scholarships	<u>200</u>
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CHANGE IN FUND BALANCE	1,335
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FUND BALANCE - JULY 1	<u>0</u>
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FUND BALANCE - JUNE 30	<u><u>\$ 1,335</u></u>
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9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for business trip accidental death and dismemberment. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating, and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

9: RISK MANAGEMENT (Continued)

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

10: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$44,565 for the year ended June 30, 2010.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)

Schedule 1

	Balance June 30, 2010
<i>Nondepreciable capital assets:</i>	
Land	\$ 82,868
<i>Depreciable capital assets:</i>	
Buildings	4,463,124
Improvements/infrastructure	640,657
Equipment	905,759
Total depreciable capital assets	<u>6,009,540</u>
Less accumulated depreciation for:	
Buildings	1,322,406
Improvements/infrastructure	120,737
Equipment	688,028
Total accumulated depreciation	<u>2,131,171</u>
Total depreciable capital assets, net	<u>3,878,369</u>
Capital assets, net	<u><u>\$ 3,961,237</u></u>

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 2)	10.555		\$ 529
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	05-04	43,086
National School Lunch Program - Cash Assistance	10.555	05-04	137,820
Total State Department of Education			180,906
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	0505	13,801
Summer Food Service Program for Children - Cash Assistance	10.559	SA-247	8,069
Total State Department of Human Services			21,870
TOTAL CHILD NUTRITION CLUSTER			203,305
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	05-04	103,980
ARRA - Special Education - Grants to States, Recovery Act	84.391	05-04	3,679
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			107,659
STATE FISCAL STABILIZATION FUND CLUSTER			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	05-04	98,139
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	05-04	6,534
TOTAL STATE FISCAL STABILIZATION FUND CLUSTER			104,673
CCDF CLUSTER			
<u>U. S. Department of Health and Human Services:</u>			
Passed Through State Department of Human Services:			
Child Care and Development Block Grant	93.575	05-04	2,160
ARRA - Child Care and Development Block Grant	93.713	05-04	16,172
TOTAL CCDF CLUSTER			18,332

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Human Services:			
Child and Adult Care Food Program	10.558	D97	\$ 10,135
Passed Through State Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	05-04	11,496
Total U. S. Department of Agriculture			<u>21,631</u>
<u>U. S. Department of Education</u>			
Direct Program:			
Rural Education	84.358		16,122
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	05-04	194,315
Safe and Drug-Free Schools and Communities - State Grants	84.186	05-04	661
Improving Teacher Quality State Grants	84.367	05-04	7,868
Total State Department of Education			<u>202,844</u>
Total U. S. Department of Education			<u>218,966</u>
 TOTAL OTHER PROGRAMS			 <u>240,597</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 674,566</u>

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Omaha School District No. 6 and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the regulatory basis financial statements.
- Note 2: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued: GAAP basis of reporting - adverse
Regulatory basis opinion units - unqualified

Internal control over financial reporting:

☒ Material weakness(es) identified? ☒ yes ☐ no
☒ Significant deficiency(ies) identified? ☐ yes ☒ none reported
Noncompliance material to financial statements noted? ☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:

☒ Material weakness(es) identified? ☐ yes ☒ no
☒ Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with
Section 510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2010-1. Internal Control

Criteria or specific requirement: Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities, and monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: A deficiency in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Context: An understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures was obtained.

Effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was adversely affected by the identified weakness in the above internal control component.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees, did not affectively address the deficiency in internal control.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Views of responsible officials and planned corrective actions: We concur with recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 4

There were no findings in the prior audit.

OMAHA SCHOOL DISTRICT NO. 6
BOONE COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2010	2009	2008	2007	2006
Total Assets	\$ 865,194	\$ 842,051	\$ 839,024	\$ 620,727	\$ 427,889
Total Liabilities	60,860	86,673	20,523	304,983	272,371
Total Fund Balances	804,334	755,378	818,501	315,744	155,518
Total Revenues	3,665,183	3,646,102	4,108,968	3,849,697	3,673,020
Total Expenditures	3,338,193	3,476,762	3,228,963	3,491,789	3,371,640
Total Other Financing Sources (Uses)	(278,034)	(232,463)	(377,248)	(197,683)	(239,049)
 <u>Special Revenue Fund</u>					
Total Assets	58,969	84,203	83,922	107,663	122,850
Total Liabilities	6,386	23,065	4,133	10,299	
Total Fund Balances	52,583	61,138	79,789	97,364	122,850
Total Revenues	702,485	572,309	634,748	654,112	686,705
Total Expenditures	711,040	590,960	653,315	698,119	637,256
Total Other Financing Sources (Uses)			992	18,521	
 <u>Other Aggregate Funds</u>					
Total Assets	221,934	218,187	374,108	313,100	18,669
Total Liabilities	3,750	230	66	255	18,669
Total Fund Balances	218,184	217,957	374,042	312,845	
Total Revenues	3,901	241,296	144,768		
Total Expenditures	281,708	669,844	471,327	263,117	902,749
Total Other Financing Sources (Uses)	278,034	272,463	387,756	575,962	248,367